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# PRISON PRIVATISATION

## INTRODUCTION

This study centres on several aspects of the recent privatisation of prisons in the UK, announced by the then Home Secretary, Michael Howard in 93, and now well underway. The first section examines the record of an American company, the **Wackenhut Corporation** in some depth; outlining its connections with the 'military industrial complex', the US intelligence establishment and the far-right, particularly with the **American Security Council**.

The second section examines other companies, (particularly Serco and The Corrections Corporation of America) engaged in prison privatisation, their secret agreements with the Home Office; outlining the ownership of these companies in some detail, in the case of Serco outlining its range of activities and relationship to several sensitive areas of privatisation.

The third section examines the UK company **Securicor** with some brief notes on the integration of the intelligence services into the business world. The fourth part focuses on the Private Finance Initiative, its role in promoting new forms of privatisation and the background of how it came into existence. The concluding section aims to draw the analysis and information together and reveal the social effects of these developments.

## THE WACKENHUT CORPORATION AND THE ASC

The Wackenhut Corporation (TWC) is the partner with Serco in the running of a private prison in Doncaster. TWC is one of the world's largest privately owned security firms and forms a main part of the US counter terrorism industry, estimated by the State Department to generate £25 bn in revenues. TWC is the largest independent firm: the two main others, Pinkertons and Burns are owned by US multinationals American Brands and Borg Warner. Over the years TWC has shown some dubious ingenuity in promoting itself. It was awarded a £20m contract by the US government to provide security support services at a South Carolina nuclear weapons plant after staging a mock raid and taking several hostages. In 88 it received a further £150m five year contract.

Private security firms traditionally provide a haven for retired government agents and at times conduct "off the shelf" operations for the CIA, MI6, MI5 and so forth. Risk analysis and private security specialists regularly share platforms at symposia with academics, think tank experts and journalists - there is a certain community of function and interest - they also mesh with government through organisations such as the Overseas Security Advisory Council, which is composed of 18 corporate representatives and 4 members of government.<sup>1</sup>

George Wackenhut was a former FBI (the US equivalent of MI5) gym instructor who founded TWC in Miami in 1954, at the height of the

<sup>1</sup> A comparable organisation in the UK is the Overseas Intelligence Committee, which directs the intelligence services in gathering commercial information which is, after being cleared, communicated to British companies, whose economic dealings are in line with the "national interest".

cold war with four other FBI colleagues. According to a 1965 prospectus it had compiled a file with the names of 25 million suspected dissidents. TWC augmented this further by obtaining the files of the House Un-American Activities Committee from an ex-staff member, thus creating the then largest privately held files of suspected subversives. It later donated them to the far-right Church League of America. In 67 the governor of Florida hired TWC to establish a private police force designed to “**investigate anyone who needed investigating**”, in the process granting TWC everything short of the power of arrest.

Wackenhut ensured that the TWC board were ideological compatible with himself, selecting members from the John Birch Society and the **American Security Council (ASC)**. According to Edward Herman<sup>2</sup> the ASC came into existence as an anti-labour intelligence and propaganda agency, acquiring the files of the anti-semitic / anti-labour spymaster, Harry Jung ( the first major US distributor of the Protocols of the Elders of Zion ). It gradually extended its activities to serve the military industrial lobby as its anti-subversive focus broadened to include an “international red menace”, against which it urgently demanded accelerated weapons acquisitions and terrorism.

Christopher Simpson<sup>3</sup> states that the ASC’s **Coalition for Peace through Strength (CPS)** had by the 70’s become a high powered lobbying group that led a successful campaign to stop the SALT 2 talks. The CPS

dispensed hundreds of thousands of dollars it had received from the major defence contractors to candidates it favoured in US congressional campaigns, and in 82 used a budget of £2.5m to drive home its pro-armament industry propaganda with the “SALT Syndrome” TV film, which was shown over 2,000 times on 500 stations in the US.

The CPS’s early conferences (attended by government officials) were co-sponsored by the Aircraft Industries Association: a group at the time pressing for the US government to admit Nazi scientists. As its emphasis shifted towards military and foreign policy issues, the CPS gained heavier funding from Lockheed, Boeing and General Dynamics. It has been said that the ASC itself is not just the representative of the military industrial complex, it is the personification of it<sup>4</sup>. The ASC also masterminded the restoration of the House Un-American Activities Committee as the House Internal Security Committee in ‘69. At least four CPS member organisations still openly support the enemy axis governments of World War two.

The ASC is broadly dominated by right-wing members of government, defence intellectuals and rightist retirees of the military and intelligence establishments. In the 80s these included **James J. Angleton** ( probably the most powerful person in the CIA in the 50s and 60s ), **General J Singlaub** ( a ubiquitous figure from the world of the neo-nazi fringe, a

<sup>2</sup> The Terrorism Industry, Edward Herman & Gerry O’Sullivan, Pantheon, 89

<sup>3</sup> Blowback, America’s recruitment of Nazis and its effects on the Cold War, Christopher Simpson, Weidenfeld & Nicolson, 88, page 275.

<sup>4</sup> Old Nazis, the New Right, and the Republican Party, Russ Bellant, South End Press 88. Bellant states that the person responsible for the ASC was General Robert Wood, also chairman of Sears Roebuck and, prior to Pearl Harbour, chair of the America First Committee (AFC), an organisation opposing all efforts to aid the Allies during World War Two. The AFC went underground, hoping for the Nazis to win.



leading light of the World Anti-Communist League and named as the chief fund-raising contact to the contra army in Central America), **Dan Graham** (US Army retired, head of the Defence Intelligence Administration in 74 and described as the senior zealous anti-communist in intelligence) and Senator **Robert Dole** (not exactly renowned for his liberalism).

Edward Herman details the ASC's links to the US far-right as extensive and spectacular. It's CPS is itself composed of 171 organisations that include a substantial number of anti-semitic, racist, vigilante and fascist organisations. Russ Bellant<sup>5</sup> states that several emigre groups which are part of the CPS are dominated by Nazi collaborationists / emigre fascists. Among them are the Bulgarian National Front (the creation of Ivan Docheff, sentenced to death in absentia for war crimes), the Slovak World Congress (founded by Josef Mikus, wanted for war crimes in the former Czechoslovakia), the Byelorussian American Committee (run by former SS engineer, John Kosiak, wanted for war crimes in the former Soviet Union). Another not entirely unrelated CPS element, is the Coalition for Constitutional Justice and Security, whose function is to terminate the work of the office of special investigation, a US Department of Justice agency organised to investigate Nazi war crimes in the US.

The ASC and CPS support for apartheid regimes in Africa included the incorporation of the extreme-right National Student Federation of South Africa in 83. Its Conservative Caucus worked directly for the South African government, attacking the Reagan

administration for its failure to openly and militarily align itself with South Africa. The ASC hosted Ian Smith in the US in 78 and arranged a visit by five officials of South African Intelligence, setting up meetings with the Pentagon and the National Security Council. On Central America the ASC fought strenuously for contra aid and has sought to give credibility to the death squad right. In 81 it sponsored a lobbying junket to Congress by EL Salvador's Roberto D' Aubuisson, acknowledged leader of a death squad and organiser of the assassination of Archbishop Oscar Romero. The ASC interviewed D' Aubuisson in June 84 for their radio programme and newsletter.

Turning back to TWC, its board has recently included **Frank Carlucci** (ex-US Secretary of State, the 12th Deputy Director of the CIA 78 - 81, Deputy Secretary of Defence in 81 and assistant to the President for National Security); **William Rabon** (Vice Admiral US Navy retired, the 7th Director of the CIA 65 - 66 who developed the Polaris Missile for the Fleet Ballistic Missile System); **Clarence Kelly** (a former director of the FBI, succeeding J. Edgar Hoover) and **Bernard Schriever** (a retired Air Force General long associated with the ASC). TWC has subsidiaries in Ecuador, Costa Rica, Honduras, El Salvador, Peru, Paraguay, Chile and Guatemala. Edward Herman claims that consistent with the US policy of helping, advising and training 'private security forces' of US friendly regimes, TWC co-operated with paramilitary forces, assisting in black and psychological operations.

TWC's first operations in Europe saw them becoming quickly involved with right-wing terrorists in Belgium in 77 -

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<sup>5</sup> Ibid.

78. They hired a number of right-wing thugs, including members of the fascist Westland New Post (WNP), notably Marcel Barbier who was involved in a "spree of killings" in the early 80s. On behalf of TWC Barbier had been the guard of a Jewish synagogue when it was bombed in 82. A search of his home discovered that he had maps showing plans of the synagogue, with details of points of access. TWC's local director in Brussels, Jean-Francis Calmette instructed the WNP on methods of combat. It was reported in the Belgian press that TWC guards were regularly luring immigrant children into basements and beating them, causing the company to leave the country<sup>6</sup>. This is the company that the UK government thinks should be running British prisons. There has also been little comment on their past in the national press or Television, the Independent on Sunday<sup>7</sup>, for instance politely describes TWC as "controversial".

### SERCO AND THE CCA

In 94, TWC and a company called **Serco** were given a contract to run Doncaster prison, and jointly formed a company called **Premier Prisons** to do so. The details of the Home Office contract were kept secret in the UK until the Prisons Reform Trust obtained them from the Securities and Exchange Commission in Washington. What was revealed was that Premier Prisons, "**will not suffer any financial**

<sup>6</sup> Edward Herman cites a Jan Cappelle article, "Westland New Post: Ombres et Lumieres," Belgique, Article 31, July 30, 1987.

<sup>7</sup> 21st August 94. This is one of the more in depth articles on TWC, to be fair it does mention that TWC was "once condemned by Congress for its surveillance operations against a leading critic of multinational oil firms". Part of the condemnation not mentioned was that Senators stated that it was a CIA front.

**penalties if less than 77 prison staff and 148 prisoners are assaulted within the first year**"<sup>8</sup>. They are also allowed two escapes from the prison itself and eight from vans. The contract further shows that the jails certified level of accommodation - the maximum level it can safely hold - is 770, while an "over-crowding option" allows the management to take up to 1,169 prisoners. **The Home office is obligated to pay the management more money as and when over-crowding occurs.** Furthermore the staff which run the prisons are not members of the Prison Officers Association nor have they received anything like their level of training: many of them are ex-miners recruited at job fairs held in the town high street<sup>9</sup>.

The Prison Reform Trust also unearthed another contract, which highlighted details of secret payments of £3.6m by the UK government to a company called **United Kingdom Detention Service (UKDS)**, who planned to pass a sizable portion of it to an American Company called the **Corrections Corporation of America (CCA)**. UKDS holds the contract for Blakenhurst prison, near Redditch, in a seemingly joint venture with the CCA. The money, intended for start-up costs, was handed over - according to UKDS - because of the CCA's 'expertise' in running private prisons. UKDS themselves are a consortium of two large construction companies, **Sir Robert Mc Alpine & Sons Ltd** and **John Mowlem & Co. Plc**. Together both had built the Wolds Remand Centre on Humberside (which is run by Group 4) and they wanted to move into building and running prisons - a growth area - hence their hasty consultation with the CCA. The CCA

<sup>8</sup> Observer 12th June 94.

<sup>9</sup> Yorkshire Post 13th Jan. 94



is a corporation with a comparable record to TWC, being similarly founded by ex-FBI agents. They have gained notoriety in the US by being linked to possible corrupt practices over their relationships with state and local officials in their home state of Tennessee. The US attorney in Nashville investigated charges of bribery or kickbacks surrounding a million dollar contract award to CCA to operate the South Central Correctional Centre in Pikeville. CCA's shareholders were influential state and local politicians. These charges mirror those levelled at the CCA's first foray into prison management: the local county commissioner voted to approve the CCA's proposal, his pest control company was awarded a CCA contract and when he left government, he was hired by the CCA to lobby his former fellow commissioners on its behalf. Again they have been welcomed with open arms by the UK government.

The major decision maker in awarding both secret contracts was **Derek Lewis**, the ex-director of the Prison Service. Lewis made no reference to any of the main issues surrounding the contracts, but instead obliquely insisted that Premier Prisons "is not an American Company, it is a consortium of two companies one American and one British"<sup>10</sup>. Further citing Group 4 as one example of a British firm which had won Government contracts he adds that "with this sector we have a very healthy level of competition". This is evasive nonsense, Group 4 is in fact a subsidiary of Group 4 Securitas (International) BV, Netherlands. As to competition, we have already noted there are only a few companies actually engaged in prison privatisation: Group 4,

Securicor, UKDS (in reality Mc Alpine, Mowlem and the CCA) and Premier Prisons (Serco and TWC). Lewis' job was not to make any pronouncements which stood up to any analysis, but damage limitation - he was after all a former TV executive - although his comments here offer the opportunity to set forth in some detail the facts of the matter regarding the ownership of these companies and in a later section, an examination of 'competition' in this and related areas.

It should come as no surprise that these companies interpenetrate to any extent. As we have seen UKDS actually worked on the same project as Group 4, one of whose directors, Norman Fowler could hardly be called a stranger to Mc Alpine given their intimate funding relationship with the Tory party. Admittedly these things are done in secret, and the details of who gets a lucrative government contract in the first place has undergone some interesting changes as we shall see. The directors of the CCA and TWC as we have noted largely stem from the similarly secret world of the CIA and FBI and the ASC, organisations undoubtedly in competition with anyone on the left.

### PRIVATE OWNERSHIP

Curiously the only statement from Mc Alpine / Mowlem which went towards explaining the charges that they had been funnelling millions of pounds of taxpayers money to the CCA, through hidden costs that were not revealed to parliament, immediately draws our attention to ownership. They stated that in the light of the charges a new shareholders agreement was in place paying the CCA less<sup>11</sup>.

<sup>10</sup> Yorkshire Post 13th of Jan. 94.

<sup>11</sup> Observer 12th June 94.

Laughably the Mc Alpine family *are* the major shareholders of the company Sir Robert Mc Alpine & Sons, through the holding company **Newarthill**<sup>12</sup>. It owns Mc Alpine and the Mc Alpine family own it, a massive 80% of the shares, the remainder of which - according to the Stock Exchange Year Book - are rarely traded.

John Mowlem & Co. have the same family ties as Mc Alpine, its directors include Sir Edgar Beck, Sir Philip Beck and Clive Beck<sup>13</sup>. Mowlem's shareholders will be even less reassuring for Mr Lewis with regard to nationality and accountability. They include: **The Morgan Stanley Bank** (19.02%), **The FMR Corporation** (6.07%), **Fidelity & E C Johnson** (6.07%), **The Morgan Grenfeld Group** (3.03%), **The Chase Manhattan Bank** (4.39%) and the **Abu Dhabi Investment Authority** (3.43%).

### SERCO

The **Serco Group Plc** are perhaps the most interesting company when we examine ownership and control. According to the Directory of Directors Vol. 2, Serco is owned by the **RCA Corporation**, which itself is owned by the American Defence giant **General Electric**. Its remaining shareholders include: **Cazenove & Co.** (Serco's stockbrokers, 10.43%), **Greenwood Nominees** (6.4%), **Schroder Investment Management** (3 - 10%), **British Coal Pensions** (5.17%), **The Morgan Grenfell Group** (3 - 10%), **Legal & General**

<sup>12</sup> Sir John Greenborough of Newarthill is also a director of the Hogg Group which deals in insurance and also has two subsidiaries Credit and Political Risk Re-insurance Brokers Ltd and Security Advisers Ltd (Australia).

<sup>13</sup> Other Mowlem directors include: Charles Fisher of South West Electricity and Simon Robertson of the Kleinwort Benson Group and Provident Mutual Life, both old hands at the privatisation game.

**Assurance Society** (4.3%), **British Gas Pension Fund Managers** (4%) and the **Nat West Bank** (3%). It should also be added that 7.84% of the shares are held by Serco's directors. Peter Towle (who until his death in 95 was *also a director of Securicor*) had 6,250 shares, Rhidian Jones has 2,750, George Gray (also the chairman of United Carriers) has 240,517 ordinary shares and 14,000 incentive shares and Iestyn Williams has 218,133 ordinary and 14,000 incentive shares. To put this into a financial perspective we should note that the earnings per share last year were 37.7 pence, the price of the shares are £14.50. So if Mr Towle had lived to sell up he would have made £90,625, or if George Gray decided to sell he would have £3,690,496.50 and has already made £95,952.90 as a dividend. Serco's shares are rocketing and the companies profits show similar success.

The British Coal Pension Fund, with its £6.5 bn in funds, is advised by the Government Actuaries Department. Since it is the government who will be paying out more funds to Serco when they overcrowd their jails (as they surely will as a result of the utterly discredited Criminal Justice Act, discredited that is by the government's own research as put forward in the Royal Commission). This is not without some 'irony', as is the fact that many of Serco's prison guards are ex-miners. If only this system had been in place during the miner's strike, those incarcerated on trumped up charges would have been happy to stay inside for the good of their pension fund, not that many miners live to a ripe old age.

Serco are not just in the business of penal capitalism, they also provide



management of support facilities to industry and government agencies including:

**The Royal Aerospace Establishment, Flyingdales Ballistic Missile Early Warning Station, The National Health Service, Customs and Excise, Marks and Spencer, they maintain two thirds of London's traffic lights, they provide air traffic control at Gibraltar and Liverpool Airports, they have a major contract with the Diego Garcia US Naval base in the Indian Ocean, they carry out services for the Police and Fire Brigades in the Yorkshire region and they have signed a contract with Yorkshire Water for the fleet management of 1,800 vehicles and items of plant. Other new opportunities include Railtracks infrastructure, with Serco bidding for two £30m contracts, more prison work, the second phase of Australia's programme to contract out non-core defence work and the running of the ex-government Property Services Agency in Scotland (which maintains property used by the military and other government forces and agencies).**<sup>14</sup>

Serco is part of a fast growing sector of companies engaged in what is called **Facilities Management (FM)**, others include Drake & Skull, Procord, BET and Capita. Put simply these companies are designed to run a wide range of former public sector businesses. They are particularly poised at the moment to take advantage of drastic changes in the privatisation process, as we shall see below. It should be noted that the merchant banks are also forming

<sup>14</sup> It is reasonable to deduce from this list that there is a strong connection with both the UK, US and probably the Australian Secret Service and Serco's directors.

investment trusts to further capitalise in this through shareholdings and other financial mechanisms. The **Kleinwort European Privatisation Investment Trust** was set up recently to invest in "European companies privatised in the last five years", the funds raised are £500m and it is the largest ever investment trust launched in the UK.

In the popular imagination it is often held that privatisation is restricted to the large public utilities and that because this process is largely complete, privatisation as such, is slowing down or becoming more difficult. While the difficulties are apparent in the case of the Nuclear Industries or the Post Office, privatisation is in fact accelerating. Before examining this we will focus on one other company engaged in prison privatisation: Securicor, a company which is a direct British counterpart of to both TWC and the CCA.

### SECURICOR

Past directors of Securicor have included, **Sir Philip Margeston** and **Sir Richard Jackson** (both ex-Assistant Commissioners of Police in London), **Lord Brooke** and **Lord Carr** (two ex-Home Secretaries), **Lord Thorneycroft** (also a director of Trust House Forte, Pirelli and the **Banca Nazionale del Lavoro International**, the latter being heavily involved in the BCCI affair, when its Atlanta branch extended £6 bn in unauthorised loans to Iraq in the late 80s), **Sir Charles Cunningham** (ex-Parliamentary Under Secretary at the Home Office) and **Lord Ray Gunter** (an ex-Labour Cabinet minister who

was also the chairman of the **Industrial Research and Information Service (IRIS)**, an organisation which circulates to industry the names of militants and warns of the dangers of employing 'militants', similar to the Economic League).

Securicor uses its employment at high levels of ex-Policemen, ex-intelligence agents and ex-civil servants, to create within the company a close relationship with State agencies, whereby it can gain access to official records - only available to serving Police officers - through the old boy network. This has been openly admitted as far back as the 70s.<sup>15</sup>

MI5's contact with security firms are routine, for example through the process of the "security aspects letter", whereby MI5 provide a team of advisors to provide a security briefing for a security company on all government contracts which in any way involved classified information, material or work. Contact is then kept on with the company's security officer, MI5 also run special courses for higher management. Many security companies hold contracts to guard government buildings and facilities with the main government departments (Agriculture, Defence, Employment, Home and Foreign Offices). Since the 80s many aspects of the work of these departments have themselves been hived off to the private sector, thus integrating the business world and the secret service further. The security companies also have associated companies which guard private installations such as airports, for example Aer Securicor Ltd joins Securicor with Aer Lingus, Securicor has about eighty subsidiaries

<sup>15</sup> See Tony Bunyan's *The History and Practice of the Political Police in Britain*, Quartet 1977.

as far flung - yet strangely similar in their treatment of anyone who disagrees with their 'government' - places as: Zambia, Hong Kong, Malawi, Malaysia and Kuwait.

Indicated by Lord Gunter's directorship of Securicor and involvement with the IRIS, is the relationship between security companies, the intelligence agencies, industry and business in forming federations or organisations devoted ostensibly to combating 'subversion' but targeted simply at undesirable elements deemed a threat to established values. TWC have brought with them a variant on this with a service they offer called the "silent witness programme", patently open to abuses of the worse sort, this encourages 'honest' employees to report theft, fraud and drug use anonymously to trained operators on a 24 hour hotline. TWC also provides a "comprehensive strike service which provides bedding, baths and catering for workers in a picketed plant"<sup>16</sup>.

The best known of these 'anti-subversion organisations' include the **Economic League**, whose stated aims are, "exposing the experiences, the intentions and strategy of subversive organisations and providing positive education to combat misrepresentations by industrial agitators". The League's funders include **Trafalgar House**, the **Midland Bank** and the **Nat West Bank**. Two other organisations include **Aims of Industry** (now called Aims) which promotes anti-left wing propaganda, a main Aims director is **Sir Gerald Mobbs** of **Barclays Bank** and Slough Estates (the UK's largest industrial property and investment company); and **British United**

<sup>16</sup> Independent on Sunday 21st August 94.



**Industrialists** (BUI), whose stated aims are “**the preservation and protection so far as legally practicable of the principles of free enterprise in trade and industry**”, and plays the role of the “major laundry of money from British Capital into political projects”.<sup>17</sup>

Securicor’s present directors continue the link with the past and include: **Sir Peter Imbert** (Metropolitan Police Commissioner 85-87, formerly of the Metropolitan Police Anti-Terrorism Squad, now also on the board of Lottery runners Camelot), **Richard A. Graves** (a retired Sandhurst Regimental Officer and ex-Rolls Royce director), **Sir Neil Mc Farlane MP** (also a director of Bradford & Bingley, Zetters Group, Indemnity International and RMC Plc - a construction company), **Sir James Birrell** (ex-Halifax Building Society 68-88), **Anthony Alexander** (Sedgwick Group - an insurance and re-insurance group and the Securities and Investments Board - an overseeing group for financial institutions and the Insurance Brokers Association), **Peter Smith OBE** (ex-Hextall Erskine group, Fitch Lovell Plc - a food distributor and manufacturer), **Roger S. Wiggs** (BSM group, ex-Hextall Erskine) and **Christopher Shirtcliffe**

(Telecom Securicor<sup>18</sup>).

Securicor’s shareholders are **Mercury Asset Management** (10.6%), **B S Pension Fund** (9.23%), **Provident Mutual Life** (7.73%), **British Rail Pension Fund** (7.48%), **Commercial Union** (5.71%); four directors of Securicor also have very large shareholdings, these are **John J. Delaney** (32.7%), **Peter Smith** (26.5%), **Roger Wiggs** (25.9%) and **Eric Hollis** (4.11%). Also of note is the fact that two Securicor directors are ex-directors of **Hextall Erskine**, who are Securicor’s solicitors, Hextall are solicitors to only two other companies, MMT Co., a company software consultancy and , the Real Time Group another computer company. Both of these are engaged in a wide range of data processing and monitoring equipment, which could possibly be of interest to Securicor’s MI5 connections.

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<sup>18</sup> Cellnet, the mobile phone operators is a joint venture between Securicor and BT. One obvious reason why telephone companies have strong links to the intelligence services is the vague area of phone tapping. Although official figures for this are down (in 93 there was 998 warrants, in 94 947) these figures are misleading. “Under Section 2 of the Interception of Communications Act, warrants are applied for by the Metropolitan Police, Special Branch, the National Criminal Intelligence Service, Customs & Excise, GCHQ, MI5, MI6, RUC and Scottish Police Forces , however the number of warrants granted by the Secretary of State for Northern Ireland and the Foreign Secretary for MI6 and GCHQ are not published” (Statewatch Vol.5, No. 3). A simple form of monitoring called metering: “metering allows the police and MI5 to get precise details of which numbers have been called, their duration, time of day and date from any phone **without having to get authorisation from a judge or government minister**” (Statewatch ibid, emphasis added). BT, Vodaphone and Cellnet have all admitted that they provide information on request. Securicor are also engaged in the £1.4m trials of electronic tagging schemes for offenders on bail, which have so far been disastrous (Daily Telegraph 7th of March 95). They are also rumoured to be taking over the running of household meter reading services for the new private electricity companies (Guardian 4th Jan. 95).

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<sup>17</sup> Robin Ramsay and Stephen Dorril, Smear, 4th Estate.

As with Serco the directors of Securicor all have large shareholdings. Although Peter Smith's massive 25.5% is held technically non-beneficially, he holds a further 8,064 ordinary shares, Roger Wiggs holds 48,500 incentive shares in addition to his 25.9%, and it is much the same for the others. The point here is that Securicor is controlled by a small group of people, two lawyers own over 50% of a company which jails people for money. Again we are back to the 'irony' (some would say significance) of ex-solicitors, Policemen, insurance brokers and policy formulators (MPs) all making personal profit out of people being imprisoned and overcrowding jails. Who should we alert, the monopolies commission or the lunatic asylum?

### THE PRIVATE FINANCE INITIATIVE

The rearrangements whereby convicted criminals are now handed over to the private sector for punishment, and the deprivation of their liberty made to enhance the profits of institutional shareholders, stems directly from a government initiative which actively set out to devolve areas of state control over to the private sector in direct consultation with their wishes and demands. This is called the **Private Finance Initiative**. It was originally set up in the early 90s, at first supervised by **Colin Southgate** of the Prudential, Lucas Industries, Thorn EMI and Software Sciences (all charmingly involved in making money out of death in one way or another) and other industrialists, bankers and civil servants. Its object was originally stated as that of enabling private firms to **"participate in capital projects**

**normally run by the state"**. This has never been couched in terms of participation in government as such, or a consolidation of bypassing democratic processes, largely it could be imagined out of a political politeness towards the electorate.

The initiative languished somewhat during the hiatus of the 92 election and eventually resulted in the creation of two distinct but related entities, the first, the **Private Finance Panel** (PFP), chaired by **Alistair Morton** of the Channel Tunnel Group, BNP Holdings and National Power, and **John Walmsley**<sup>19</sup> of Enterprise Oil, ELF and the General Healthcare Group<sup>20</sup>; ostensibly advises government on methods to ensure that more projects come to fruition by changing the skimpy rules which exist to oversee the process. The second group is the **Private Sector Forum** (PSF), this advises government along the same lines but from the bottom up as it were. The PSF is made up of so twenty or so companies which are major funders of the Tory party and already hold the lion's share of government contracts. These include **KPMG Peat Marwick, Coopers & Lybrand Deloitte** (the two big company auditors here in the guise of consultants), **BET, Kleinwort Benson, Capita** and our old friends **Serco** (all up to their elbows in facilities management).

<sup>19</sup> Others include: Howard Davies of the CBI (now with the Bank of England), Pen Kent Associate Governor of the Bank of England, Sheila Masters of KPMG Peat Marwick, Neville Simms the Managing Director of Tarmac, Alan Gormly the Chief Executive of Trafalgar House, now also with Royal Insurance.

<sup>20</sup> Both Enterprise Oil and Eurotunnel have strong ties to several other financial institutions represented on their boards. Eurotunnel: Barclays, Nat West, Barings, French American Banking Corp., Coutts & Co., Abbey National and Mercury Asset Management. Enterprise Oil: Rothschilds, 3i, ANZ.



The decisions in all this were announced in March 94<sup>21</sup> at a wider gathering of interested parties hosted by the Institute of Directors . Now, according to their deliberations, government departments can **pay for the tender costs of prospective bidders, limit their number to as little as three, compensate bidders if their tender fails and completely over-ride competitive tendering, by selecting a tender which openly costs more than the sum already spent on it by the government department previously running it.** The only hurdle to this is that the tender, in the words of Stephen Dorrill, then financial secretary to the Treasury, “must have the advantages of stimulating innovation”: competition is out, innovation is in. The types of project discussed at the meeting ranged from road privatisation such as the Dartford River Crossing, rail privatisation such as the link to the channel tunnel, prison privatisation, school sports facilities privatisation, health laboratory privatisation and so on. The PFI’s influence should also be seen in relation to Department of Trade plans to fund 21 schemes ranging between £10m and £350m under a “**design, build, finance and operate**” initiative.<sup>22</sup> This encourages the Banks, Merchant Banks, Insurance companies, Construction companies and Facility Management companies to integrate further into ever expanding cartels and consortia taking full advantage of the new innovative “lobbying system”. In bringing together the Banks and Construction companies (their biggest borrowers) this initiative can also be perceived as a clever attempt to stave off the effects of the slump of the early 90s, when the Construction companies were doing so

badly and owing so much, the banks were unwilling to call in the debt (when they did on a few occasions they destroyed the companies). Now money from the public sector can pour into the black hole. Associated with this process are the plans for road privatisation, the sell off will raise billions for the government, which will also save £550m each year on maintenance, the consultation paper for this was presented as far back as early 93<sup>23</sup> .

The PSF successfully lobbied Dorrill and William Waldegrave to privitise the Central Office of Information and Her Majesty’s Stationary Office (HMSO). Michael Lynn, deputy chief executive of HMSO confirms that the first steps towards this - that they become Treasury owned private companies - is already well underway and well beyond the consultancy period, thanks to the PSF speeding things up before anyone can question it. It would seem the very chairs which Civil Servants sit upon may be quickly snatched away by the hands of someone like Serco, according to Mr Lynn, “**HMSO is made up of 18**

<sup>23</sup> Schemes for road privatisation, through toll roads or bridges are already in existence, Trafalgar House operates the M25 toll Bridge at Dartford and the Midlands Expressway with an Italian Toll road company, Iritechna, they have a 53 year concession to operate the road which will be used by traffic from the proposed Hamshall freight terminal (in the green belt of North Warwickshire), which will itself be used for Channel Tunnel traffic (Independent 22 June 94). Other roads ear marked for the guinea pig treatment are a trunk road joining the M1 to the A1 in Yorkshire, costing £190m; the widening of the A1 near Peterborough costing £141m; improvement to trunk roads linking Swindon and Gloucester, costing £35 and a maintenance contract for the Haltwhistle bypass near Carlisle, costing £10m. If concessionaires are attracted to bid for these, a half dozen larger projects costing £600m each will be put out to tender, under the new projects the private roads revert back to government after 15 - 25 years, with taxpayers saddled with all liabilities. The systems for electronic tolling are in the trial stages: the ADEPT project in Cambridge was aborted when the Tories lost control of the County Council.

<sup>21</sup> See Times 2nd March 94 and Independent 2nd March 94.

<sup>22</sup> Financial Times 15th April 94.

**businesses, which include printing, stationary, office equipment and furniture. Some of these look privitisable, but others, like parliamentary publishing, look awkward. We can mix and match**"<sup>24</sup>. Paul Foot in Private Eye 865 tells us that Companies House itself is to be privatised, thus cutting down on information about business actually reaching the public, the likely recipients of the contract, he suggests are a company called Serco.

In early 94 when Kenneth Clark invited Morton onto the PFI to "push it along", he was provided with help from Whitehall, the City and Industry and an attic office on Trafalgar Square to run the project. The staff who run the PFI office are mostly seconded from the Treasury and from certain Merchant Banks, who are paying their wages. **"Their chase has led them all over Whitehall for every department has its own involvement and there was no central database to show who was doing what about which project."**<sup>25</sup>

To see the development of the PFI we must backtrack a little to the development of the channel tunnel project. Originally the tunnel was conceived as a road link, due to pressure on Mrs Thatcher by the roads lobby. This was soon abandoned reputedly through the intervention of her close friend Lord Jeffrey Sterling (of P & O, British Federation of Shipping etc) although various studies stated that the idea was unviable in the extreme. At the onset of the project the government wanted to seem impartial and even-handed to the various factional lobbies ; road, rail, shipping, construction and other vested interests, Thatcher's other

confidante was Charles Powell who later joined Trafalgar House. Things got completely carried away when Nicolas Ridley, then at the DTI, wrote in a clause to the tunnel plans designed to make it illegal to spend public money, not only on the tunnel construction itself but also on the services that ran it.<sup>26</sup>

Leaving aside the mountains of bum fodder churned out by the speech writers on the free market and competition, it is clear that the predicament pleased no one and held up the project. Trafalgar House, who in retrospect, were always going to get the contract to build it, in one guise or another, almost immediately dropped out because of the government's refusal to entertain the possibility of an interest free loan of £1 bn - a massive piece of political posturing. As the project stagnated a succession of Transport Secretaries came and went: Lord Parkinson in 90 (now on the board of the Dartford Tunnel River Crossing Ltd a subsidiary of Trafalgar House), Malcolm Rifkind (still in government) and Ian McGregor (now with Hill Samuel, Slough Estates and Associated British Foods). Parkinson famously told the Tory party Conference that not a penny of public money would be spent on the tunnel, and while still in office refused to sanction another £1 bn subsidy for the Channel Tunnel Rail Link (CTRL) he is of course now also on the board of Railtrack, one of the companies now 'bidding' for the CTRL and has changed his mind.

By April 93, behind the scenes we see workings preparing the way for posturing becoming policy, all the guff about public money being untouchable had to go as the constructors of the

<sup>24</sup> Observer 28th August 94.

<sup>25</sup> Daily Telegraph 20th May 94.

<sup>26</sup> Evening Standard 19.4.93



CTRL, learned from the Tunnel fiasco and turned a keen eye to looting the Treasury (read: 'aiding competitiveness by being innovative') there was some agile manoeuvring behind the scenes. In early 93, Ministers and Treasury Officials fronted a conference hosted by the CBI and the Institute of Actuaries to 'explore changes in government policy'. It transpires that Trafalgar House, Wimpy and some big UK and US banks had already visited the Treasury some days earlier to 'sound out' prospects of putting the Treasury's 'Ryrie rules' in the dustbin<sup>27</sup>. Named after the Treasury Mandarin William Ryrie, these rules formed the cornerstone which effectively prevented private money going in to public projects. These state that private money could only be used in place of public spending, not in addition to it: essentially so that there would be no net increase in work, and that **all private sector proposals had to be cheaper than any public sector alternative**. The secret meeting with the Treasury seems to have worked, the Ryrie rules bit the dust and that meant that Ridley's bothersome clause could be argued to be no longer applicable: so that what it tried to prevent could be openly put into practice.<sup>28</sup> So what that if it represented the keystone of Thatcherite policies, no one took them seriously anyway.

#### A veneer of private sector

<sup>27</sup> Evening Standard 5th April 93. As well as ditching the Ryrie rules they also managed to get the Treasury to abandon the other restrictive idea that projects involving private cash could only go ahead if they compared favourably with a public sector alternative: the point here is that these are the two main planks of the PFI. It would be interesting to know who they talked to, what they said and which companies or banks would welcome them onto their board, or "going to heaven" as it is called in the Treasury.

<sup>28</sup> Daily Telegraph 28th March 93.

"partnership" was fitted over all future projects at a later IOD meeting, meanwhile loans to the Tunnel could become grants and the next huge civil engineering project, the CTRL would promise major public sector subsidy for the innovative (innovative in rewriting the law anyway). The CTRL is estimated to be worth £2.5 bn, the plan at the moment is that the private companies hold the equity (looking for a 12% return on their investments), public funding will come from grants, loans and the transfer of assets by the government. Trafalgar House, Wimpy and Tarmac will end up as part owners of transport developments and public buildings, together with other cash rich groups such as GEC and the water and electric companies, who can buy into the projects and ramify the tightly controlled network. Thus the PFI has its roots in covertly sabotaging government regulations and using privatisation as a conduit into public subsidy from the Treasury. This has resulted in the de facto privatisation of politics, a kind of corporatism in the name of free enterprise for the lucky few.

As an aside to all this, a not entirely unpredictable saga unfolded in July of 95 with the CTRL being "thrown into jeopardy"<sup>29</sup> as both competing consortia claim that they will be unable to fund the £2.8 bn construction costs, they claim they will require £2 bn of "government assistance" for the proposal to go ahead. They have told the government that the only way for the project to proceed is for it to consider providing the money as a form of direct subsidy; **"underwriting the entire deal or acting as a form of bank"**. And presumably the successful bidder acting as a form of bank robber since

<sup>29</sup> Guardian July 11th 95.

there is no talk of the money ever being returned. In addition to the subsidy the winner will take over (debt free) the Eurostar Passenger Service, estimated to be worth about £16m. Of the two bidders, London & Continental<sup>30</sup> and Eurorail,<sup>31</sup> Eurorail is the favourite to win (bordering on a certainty). They were actually given another chance with their bid when it was discovered that the original had not complied with the official requirements.<sup>32</sup> Two of the other early contenders were eliminated because of similar oversights. This time at least there has been no unseemly back door visits to the Treasury. The PFI has seen off those Ryrie rules (and become a perverse mutation of them) and at least three government ministers who sat through the charade (including the ubiquitous Parkinson), are on the boards of the soon to be successful bidder. Some law does exist though, there is one company which is most vehemently not allowed to win the contract and disbarred from any funding: this is British Rail, already in the process of being remodelled along more competitive lines itself.

### LAWLESSNESS AND ELITE EXPLOITATION

It is more than just a peculiarity of our form of government that the 'security services' should be encouraged wholeheartedly to run the prisons, it is surely that august body who are above the law, or as Peter Wright put it on the dust cover of "Spycatcher", "For

**five years we bugged and burgled our way across London at the state's behest, while pompous bowler-hatted civil servants in Whitehall pretended to look the other way".** A great concern of the secret service has been to portray the legitimate activities of individuals as that of illegal, out of a fear that their own activities will be diminished. For the government's part, 'Spycatcher' and other more revealing writings were deemed illegal because they revealed not just the stunning illegality of the secret service, but the mind set of those who give them free reign. Here the subversion of government which is perceived in the population - the subversion of government by business cabals such as the PFI is of course simultaneously ignored - is openly put forward as being not restricted to illegal acts. The threats to security caused by covert unlawful acts is made to first, include activities 'directed towards' or 'intended ultimately' to lead to the destruction or overthrow of the constitutionally established system of government,<sup>33</sup> and then extended a little further, in the words of Brian Crozier<sup>34</sup>, to "therefore implicitly recognise the fact that lawful activities may be subversive".

Add to this the fact that " **about one quarter of all people held in custody are fine defaulters, including people fined for poll tax arrears and failure to pay for a TV licence**" and that " **the vast majority of those jailed for fine default are in multiple debt for fuel and rent payments**" and that the National Association of Probation Officers state that " **£30m was spent in 93 sending almost 23,000 people to**

<sup>30</sup> Comprising of: Bechtel, Virgin, National Express, Ove Arup, Sofrerail, Blue Circle, Sir William Halcrow and Warbugs.

<sup>31</sup> Comprising of: Trafalgar House, BICC, GEC, Nat West, Hong Kong & Shanghai Banking Corp., Seaboard, Union Link, Taylor Woodrow, Mowlem, WS Atkins, Philip Holtzman, Transurb, Spie Batignolle, AEG and Morgan Grenfell.

<sup>32</sup> Independent July 11th 95.

<sup>33</sup> Although Britain has no constitution and the secret service and the financial institutions seem to be running government for most of the time.

<sup>34</sup> Free Agent. Brian Crozier, Harper Collins, 93.



prison for debts totalling £8m.”<sup>35</sup>

These facts can now be combined with those we have seen which show that the profits of the imprisonment of the poorest sections of the population go to shareholders which are the richest organisations on the planet: the Chase Manhattan Bank and the Abu Dhabi Investment Authority for instance. We can also see that the recently privatised utilities - the organisations which seem to it that those who defaulted on payment of their VAT inflated bills were put into prison, such as British Gas (shareholders in Serco), also benefit from the process by clever use of their pension fund. So we end up with a variant of the debtors prison, where the defaulter is imprisoned until the Treasury has paid off the “debt” at a premium to the shareholders, with money it has borrowed from the Financial Institutions at a fierce rate of interest.<sup>36</sup>

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*the Labour party pre-election  
have stated that they do not  
have any plans to change any  
of this.*

<sup>35</sup> Statewatch Vol. 4 No. 4, August 94.

<sup>36</sup> Michael Howard is also set to press ahead with the plans for a national network of “child jails,” secure units for 12 - 14 year olds, this forms another part of the Criminal Justice Act. We can see here a direct meshing of interests: between government policy concerning imprisonment, prison privatisation and profits from both: “Criminal Justice Minister, David McLean said tender invitations were being issued for private companies to **design, build, maintain and finance** the centres” (Statewatch Vol. 4 No. 3, 94, emphasis added). This is faintly reminiscent of the destruction of Kuwait and then the scramble for contracts to rebuild it just before the end of the war. The efficacy of the child jails has also been discredited by the Royal Commission set up by the government, but ignored because it came to the wrong findings.